

January 15, 2004

Robert H. Cohen, Director
Office of Rates, Analysis & Planning
Postal Rate Commission
1333 H Street, NW, Suite 300
Washington, D.C. 20268-0001

Dear Mr. Cohen:

This responds to your December 22, 2003 letter requesting additional information related to the Postal Service's first Docket No. MC2002-3 Copalletization Data Collection Report. As we understand your request, it seeks to supplement the information contemplated in the data collection plan established in Docket No. MC2002-3 and contained in the Postal Service's first report. The purpose of this inquiry is to gain a better understanding of the early results of the co-palletization experiment.

Normally, we think the better practice would be not to expand or amend a data collection and reporting plan that had been established under the Commission's rules in connection with the Commission's recommendation and Governors' approval of an experiment. Our preference in this regard would be amplified where, as in this case, the recommendation was based on a multi-party settlement agreement that involved negotiation of the data collection plan. Nevertheless, in this instance, we will respond as best we can to clarify the report, in light of your inquiry.

You first asked whether dropshipping at the SCF had been affected by conditions related to implementation of the experiment. At the beginning of the experiment, Accounting Period 9, the only participant in the program did not prepare SCF pallets for dropshipment. To the best of our knowledge there were no administrative or implementation issues that prevented the preparation or dropshipment of SCF pallets. This particular participant did not prepare SCF pallets due to the nature of its co-palletization pool.

You next asked whether we could provide information on how many "smaller

circulation" publications are participating in the experiment. In this regard, you acknowledge that such data were not contemplated in the negotiated data collection plan. Under the plan, participants are required to report only the number of titles included in the co-palletization pool. Participants are to report the total number of titles in the first report, and then report the number of new titles added in subsequent reports. This process is repeated for each six-month reporting period. While we thus do not have exact counts of how many smaller circulation publications are participating in the experiment, our informal contacts with participating sites suggest that a large majority of the participating publications have smaller circulations.

We hope this information is helpful in clarifying the first report.

Sincerely,

A handwritten signature in black ink, reading "Daniel J. Foucheaux, Jr." in a cursive script.

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking
Legal Policy and Ratemaking Law